

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF CREDIT UNIONS

NEWSLETTER

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CREDIT UNION COMMISSION MEETS

The Credit Union Commission met on May 7, 2003 in Jefferson City, Missouri. Commission members in attendance were Pat Yokley, Bill Humpfer, Sharon Ichord, Cathy Stroud, Pat Macdonald, Lori Levine and John Hanneke. Others attending were, Mike Wambolt, Attorney General's Office; Becky Kilpatrick, Attorney, Department of Economic Development; Donna Graham, Stella Keen, Bernice Noble and Ron Wolk, Southeast Telephone Credit Union; Wade Nash, General Counsel, Missouri Bankers Association; Rosie Holub and Peggy Nalls, Missouri Credit Union Association; Zurett Merridith and John P. Smith, Division of Credit Unions.

Minutes from the January 15, 2003 and March 18, 2003 Commission meetings were approved.

The Commission reviewed the field-of-membership expansion application submitted by **Southeast Telephone Employees Credit Union**. More than 3,000 potential members exist within the group. The Commission found the group met the criteria for an exemption from the limitations on groups in 4 CSR 105-3.040.

The Commission discussed the status of the appeal, Director's decision approving the field of membership expansion, Springfield Telephone Employees Credit Union (now Telcomm Credit Union). Appellants brief is due May 12, 2003, respondents brief is due July 11, 2003. The case may be heard in September 2003 with a decision being issued three or four months later. Organizations mentioned that might field amicus briefs were the National Association of Credit Union Supervisors, Credit Union National Association and the American Bankers Association.

The Commission received several reports:

- ✓ Condition report of Missouri chartered credit unions
- ✓ Field of membership applications in process
- ✓ State and federal legislative update

The Commission approved the Director's recommended amendments to 4 CSR 100-2.080 Fiscal and Financial Services. The amended rule will be published in the Missouri Register for a thirty day comment period.

The next regular Commission meeting will be held on August 20, 2003 at 10:30 AM in Jefferson City, Missouri.

IDENTITY THEFT AFFIDAVIT SIMPLIFIES REPORTING FOR CONSUMERS

Recently the three major credit bureaus, participating credit issuers, businesses and financial institutions have agreed to accept the Identity Theft Affidavit as proof of identity theft. The ID Theft Affidavit makes it easier for credit union members to dispute debts resulting from identity theft. Log on to www.consumer.gov/idtheft or call 1.877.ID.THEFT for a copy of the ID Theft Affidavit.

CONDITION OF CREDIT UNIONS COMPARISON REPORT

CAMEL CODE	May 1, 2002		May 1, 2003	
Code 1	2	1.2%	6	3.7%
Code 2	119	70.4%	102	63%
Code 3	44	26%	48	29.6%
Code 4	4	2.4%	6	3.7%
Code 5	0	-	0	-
TOTALS	169*		162**	

* In 2002, eleven credit unions merged, one underwent voluntary liquidation.

Credit unions merged during year 2002:	Community CU <i>into</i> River Region CU, Liberty CU <i>into</i> Midwest United CU, I.B.E.W. CU <i>into</i> West Community CU, BMA CU <i>into</i> Central Communications CU, General American Life Insurance Company Federal CU <i>into</i> Educational Employees CU, ORCO Federal CU <i>into</i> Health Care Family CU, Heartland Federal CU <i>into</i> Postal & Community CU, SMW Local #36 CU <i>into</i> Meridian CU, WECOE CU (Kansas) <i>into</i> CommunityAmerica CU, BeedeeCo CU <i>into</i> Mazuma CU
Credit unions liquidated during year 2002:	Boone Electric Employees CU

**In 2003, as of May 1, 2003, no credit union mergers have occurred.

FIELD OF MEMBERSHIP APPLICATION UPDATE

Springfield Telephone Employees Credit Union (now **Telcomm Credit Union**) submitted an application to include those persons who reside or work in the 417 telephone Area Code and the 573 (bordered on the north by I-70) telephone Area Code. The Director approved the expansion of **Springfield Telephone Employees Credit Union** to those in the 417 Area Code, but not the 573

Area Code. The decision was published in the November 15, 2000 Missouri Register. On November 30, 2000 the Missouri Bankers Association (MBA) and Century Bank of the Ozarks (CBO) filed an appeal of the decision to the Credit Union Commission. The Commission heard the appeal on March 29, 2001. On May 24, 2001 the Commission upheld the decision of the Director. On August 16, 2001, the decision was released and the Director filed **Springfield Telephone Employees Credit Union's** amended bylaws with the Secretary of State. On September 14, 2001, the MBA and CBO filed a petition for administrative review in Cole County Circuit Court.

On November 19, 2001, a hearing was held before Judge Tom Brown, Division 1, Circuit Court of Cole County. The motion to refer the case to another division of the court was granted and the case was referred to Judge Byron Kinder, Division 2. A motion to dismiss the case for lack of standing was heard on January 3, 2002. On January 29, 2002 the court ruled the plaintiffs lack standing to maintain causes of action set forth in their petition and ordered the plaintiffs' petition be dismissed. On March 11, 2002 the MBA and CBO filed an appeal of the decision in the Western Appellate Court of Appeals. Appellant's briefs were due June 3, 2002 with the respondent's briefs due July 3, 2002. A hearing by the Western Appellate Court was held on October 3, 2003 in Kansas City. On January 14, 2003, the Appellate Court upheld the decision of Cole County Circuit Court. On January 14, 2003, the MBA and CBO filed motions for a rehearing and transfer to the Missouri Supreme Court. The Appellate Court on March 4, 2003 denied the motions. On April 23, 2003, the Missouri Supreme Court issued an order transferring the case to their jurisdiction.

South Community Credit Union submitted an application for those who work or reside in Zip Codes 63109, 63111, 63116, 63123, 63125, 63128, 63129, and Crawford County, Franklin County, Gasconade County and Washington County. **Central Communications Credit Union** submitted an application for those persons who reside or work in the 816 telephone Area Code. The Director approved the applications submitted by **South Community and Central Communications Credit Unions**. These decisions were published in the November 15, 2000 Missouri Register. On November 30, 2000 the MBA and two local banks located in each of the two applicants' field of membership expansion areas filed appeals of the decisions to the Credit Union Commission. The Commission received the record of appeals from all parties on May 24, 2001. On August 9, 2001, the Commission upheld the decisions of the Director. The written decisions were released on January 25, 2002. On February 21, 2002, the MBA and the local banks filed a petition for administrative review in Cole County Circuit Court. Both cases were assigned to Judge Tom Brown, Division 1. On April 17 the cases were reassigned to Judge Byron L. Kinder, Division 2 and a motion was entered to stay the proceedings until the outcome of the Springfield Telephone Employees case was decided. The cases can be followed on the internet

at <http://casenet.osca.state.mo.us/casenet/>; the case numbers are 02CV323402 and 02CV323401.

Educational Employees Credit Union (now Vantage Credit Union) submitted an application for those who live or work in St. Louis County, St. Charles County, Jefferson County, Cape Girardeau County and Franklin County. The application was published in the December 15, 2000 Missouri Register. The Director approved the application and his decision was published in the February 15, 2001 Missouri Register. On March 1, 2001 the MBA and two banks located in the applicant's field of membership expansion area filed an appeal of the decision to the Credit Union Commission. The Commission received the record of appeal of **Educational Employees Credit Union** on October 19, 2001 and established briefing schedules. On March 5, 2002, the Commission dismissed the appeal due to lack of standing. On July 18, 2002 the MBA and the two banks filed a Petition in Mandamus in Cole County Circuit Court. An order by Cole County District Court staying the case was entered on December 2, 2002. The case can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; case number 02CV324797.

City Utilities Credit Union submitted an application for community residents and workers in Greene and Christian Counties. The application was published in the June 1, 2001 Missouri Register. The Director approved the application and his decision was published in the August 1, 2001 Missouri Register. On August 14, 2001 the MBA and a local bank located within the applicant's field of membership expansion area filed an appeal of the decision to the Credit Union Commission. On August 8, 2002 the Commission heard and denied the appeal for lack of standing. The decision was released on December 9, 2002. On January 2, 2003, MBA and the local bank filed a Petition in Mandamus in Cole County Circuit Court. The case can be followed on the internet at <http://casenet.osca.state.mo.us/casenet/>; case number 03CV323001.

First Community Credit Union submitted an application for individuals who reside or work in the counties of Lincoln, Warren, Franklin, Washington, St. Francois, Ste. Genevieve, Pike, Montgomery, Gasconade and Crawford in the state of Missouri and the City of St. Louis. The application was published in the August 1, 2002 Missouri Register. The Director approved the application and his decision was published in the September 16, 2002 Missouri Register. On September 26, 2002 the MBA and a local bank located within the field of membership expansion area filed an appeal of the decision to the Credit Union Commission. The Commission at their October 31, 2002 meeting established the briefing schedule for the appeal. The Commission considered the appeal at their January 15, 2003 meeting heard but took no action.

Alliance Credit Union submitted an application for

those who work or reside in St. Charles County or St. Louis County. The application was published in the November 15, 2002 Missouri Register. The Director approved the application and his decision will be published in the January 16, 2003 Missouri Register. On January 30, 2003, the MBA and Allegiant Bank filed an appeal of the Director's decision with the Credit Union Commission. The Commission at a future meeting will consider the appeal.

St. Louis Postal Credit Union submitted an application for those who live or work in the Zip Codes 63005, 63017, 63042, 63043, 63044, 63126, 63127 and St. Charles County. The application was published in the December 2, 2002 Missouri Register. The director approved the application and his decision will be published in the January 16, 2003 Missouri Register. A fifteen calendar period for appeal must occur before the decision is final. On January 30, 2003, the MBA and Midwest Bank Centre filed an appeal of the Director's decision with the Credit Union Commission. The Commission at a future meeting will consider the appeal.

United Community Credit Union, an Illinois chartered credit union, submitted an application for those who live or work in the Missouri counties of Lewis, Ralls and Marion. The application was published in the January 2, 2003 Missouri Register. The director approved the application and his decision was published in the February 18, 2003 Missouri Register. On March 4, 2003 the MBA and the Farmers and Merchants Bank and Trust Company filed an appeal of the Director's decision with the Credit Union Commission. The Commission at a future meeting will consider the appeal.

Metro Credit Union submitted an application for those who live or work in the following Zip Codes: 65802, 65803, 65804, 65809, 65810, 65714 and 65721. **West Community Credit Union** submitted an application for persons living or working in St. Charles County, Missouri. The applications were published in the February 18, 2003 Missouri Register. The director approved the applications and his decisions were published in the April 15, 2003 Missouri Register. The decisions are now final.

Aerospace Community Credit Union submitted an application for those who live or work in the remainder of St. Louis City, St. Louis County and St. Charles County that is not currently in the **Aerospace Community Credit Union's** field of members and those who live or work in Lincoln County. The application was published in the May 1, 2003 Missouri Register. A ten business day comment period must occur before the application can be approved.

Anheuser Busch Employees' Credit Union submitted an application for those who live or work, or legal entities in Zip Codes 63103, 63110, 63116, 63118, as well as legal entities in Zip Code 63104 all low-income areas. The application will be published in the June 16, 2003 Missouri Register. A ten business day comment period

must occur before the application can be approved.

END OF YEAR FINANCIAL TRENDS

The December 31, 2002 call report data revealed a number of interesting trends in credit union balance sheets. Most notable of which is the increasing maturity of assets in investments and real estate loans.

Investments for the most part remain relatively short term. However, the length of investments is increasing, as is the complexity of the investments. Real estate loans and mortgage-backed investments now account for 31% of assets in the National Credit Union Administration's (NCUA) Region IV credit unions. Although payoff rates of mortgages at the end of 2002 are high, as interest rates increase, so will payoff maturities. Credit unions should be prepared to manage the realization that certain of their mortgages related assets might be on the books for many years at historically low interest rates.

Of real concern is the possibility of interest rate increases. Under the best of circumstances, assets will not reprice as quickly as cost of funds. If interest rates increase as fast and as far as what they decreased over the past 24 months, many credit unions will be suffering losses and/or net share withdrawals. If your credit union has large amounts of fixed rate assets, plans should be made to lower this percentage by not acquiring additional fixed rate assets and/or sale of those assets.

On a related note, it is noted that 48% of NCUA Region IV credit unions lost members. Most of these credit unions are under \$10 million in assets but 28% of credit unions over \$500 million also lost members. While overall shares increased, 20% of credit unions had share declines. Missouri credit unions reported the lowest share growth in the Region at 5.9%; additionally 21% of Missouri credit unions experienced share declines.

No one knows when rates will rise and how far and how fast but it is certain rates will rise given the historically low levels that now prevail. If the rate of interest rate increase is slow, credit unions will have more time to adjust. This will probably happen if the economic recovery remains sluggish but credit unions should prepare now for an eventual increase in rates.

PROPOSED REVISION TO 4 CSR 100-2.080 FISCAL AND FINANCIAL SERVICES

The Director of the Division of Credit Unions proposes amendments to section (4) of this rule that governs fiscal and financial services. The amendment is designed to provide a specific list of fiscal and financial services credit unions may offer without prior approval of the Director. Bracketed italicized sections will be deleted;

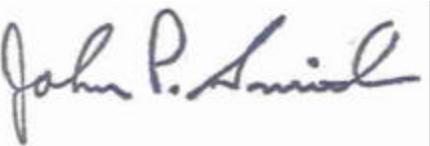
bold sections are additions to the proposed revision.

(4) *[Where a credit union, prior to August 13, 1972, has provided the member services of money orders and travelers checks, authority is given for the credit unions to continue these fiscal and financial services to their members, unless the director orders a specific credit union to cease these services.]* The director of the **Division of Credit Unions** authorizes all credit unions to offer the following business related services without prior approval unless the director orders a specific credit union to cease offering these services:

- (A) Money orders, travelers' checks, letters of credit;**
- (B) Share draft accounts;**
- (C) Debit, credit, ATM and smart cards;**
- (D) Sale of insurance products;**
- (E) Any program servicing or granting loans;**
- (F) Any share program or**
- (G) Sale of tickets, charitable or promotional items.**

The credit union offering these services shall make available to the director, upon his/her request, the direct and indirect cost of providing the services together with a schedule of the fees charged for the services.

Anyone may file a statement in support of or in opposition to this Proposed Amendment with the Division of Credit Unions, John P. Smith, Director, P.O. Box 1607, Jefferson City, MO 65102. *To be considered, comments must be received within thirty days after publication of this notice in the Missouri Register. No public hearing is scheduled.*



John P. Smith, Director